

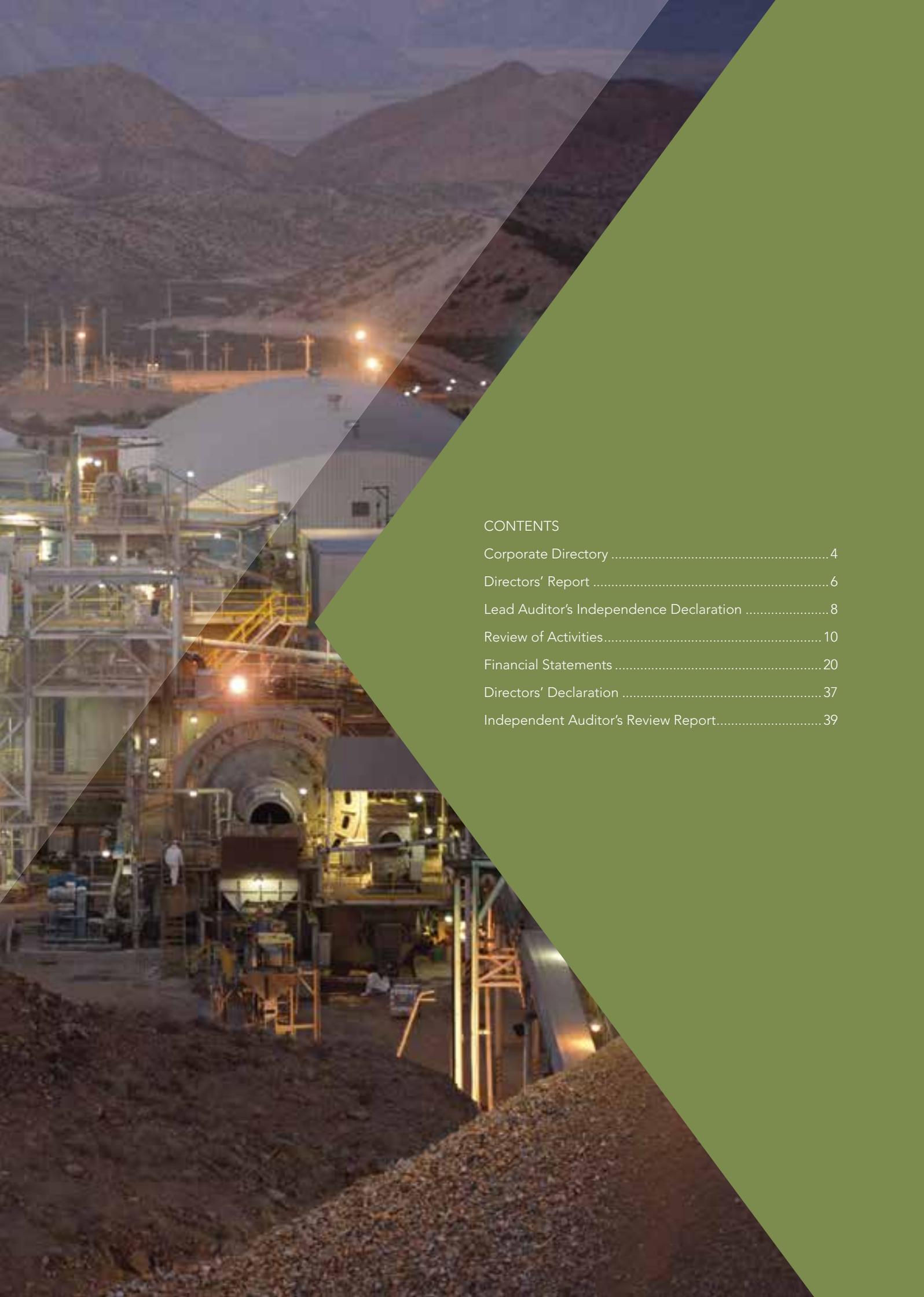
HALF-YEAR FINANCIAL REPORT

31 DECEMBER 2016



All figures reported in USD

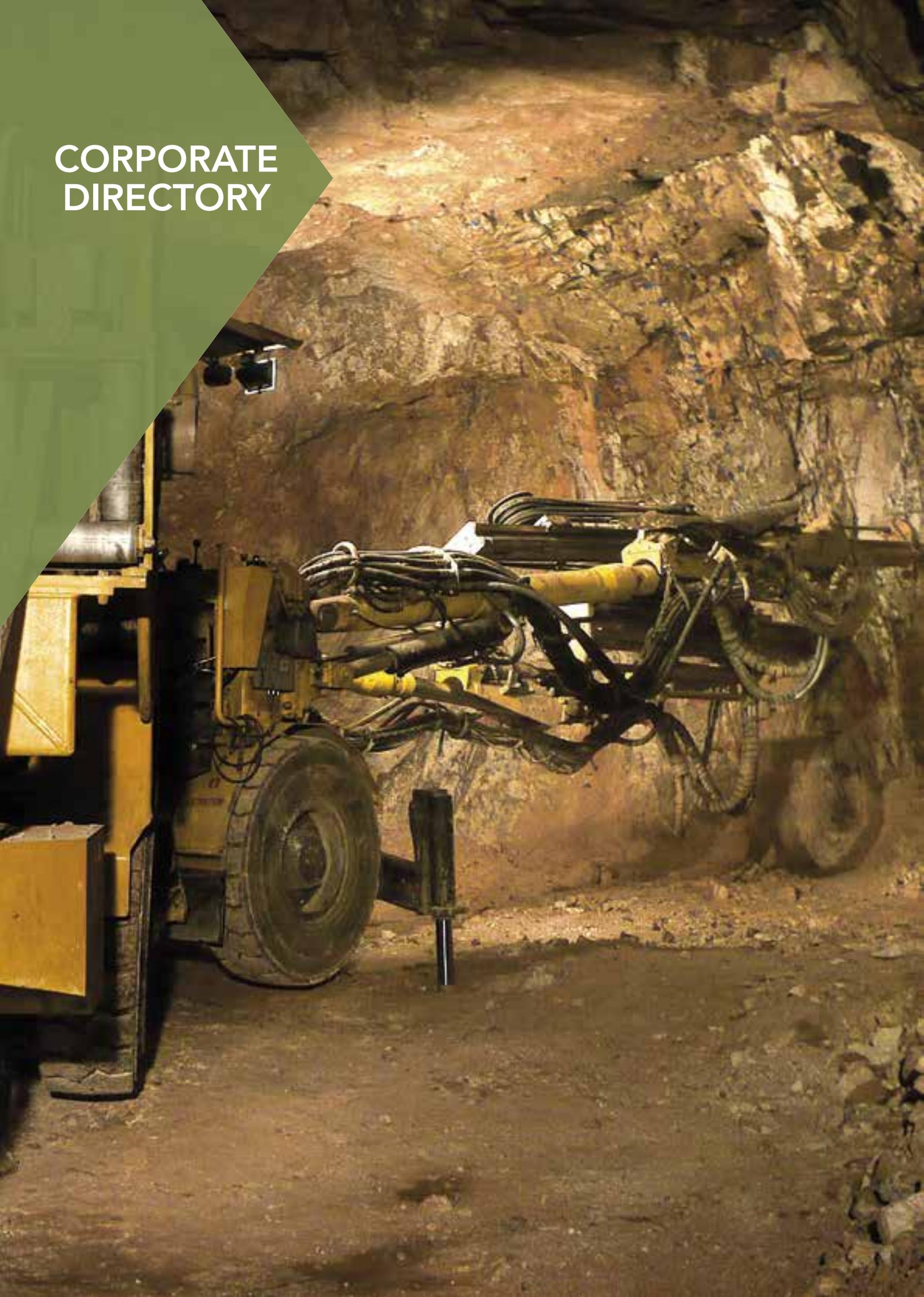




CONTENTS

Corporate Directory	4
Directors' Report	6
Lead Auditor's Independence Declaration	8
Review of Activities.....	10
Financial Statements	20
Directors' Declaration	37
Independent Auditor's Review Report.....	39

**CORPORATE
DIRECTORY**



CORPORATE DIRECTORY

Directors:	Eduardo Elstain Saul Zang Pablo Vergara del Carril Stabro Kasaneva Wayne Hubert Robert Trzebski Ben Jarvis	Chairman & Non-Executive Director Non-Executive Director Non-Executive Director Executive Director Independent Non-Executive Director Independent Non-Executive Director Independent Non-Executive Director
Company Secretary:	Andrew Bursill Franks & Associates Suite 4, Level 9 341 George Street Sydney NSW 2000	
Registered Principal Office:	Suite 203, 80 William Street Sydney NSW 2011 Tel: +61 2 9380 7233 Fax: +61 2 8354 0992 Email: info@australgold.com.au Web: www.australgold.com.au	
Antofagasta, Chile Office:	14 de Febrero 2065, of. 1103 Antofagasta, Chile Tel: +56 (55) 2892 241 Fax: +56 (55) 2893 260	
Buenos Aires, Argentina Office:	Bolivar 108 Buenos Aires (1066) Argentina Tel: +54 (11) 4323 7500 Fax: +54 (11) 4323 7591	
Share Registry:	Computershare Investor Services Australia GPO Box 2975 Melbourne VIC 3001 Tel: 1300 850 505 (within Australia) Tel: +61 3 9415 5000 (outside Australia)	Computershare Investor Services Canada 510 Burrard Street, 2nd Floor Vancouver, BC V6C 3B9 Tel: +1 604 661 9400 Fax: +1 604 661 9549
Auditors:	KPMG www.kpmg.com.au	
Principal Bankers:	National Australia Bank Limited www.nab.com.au	
Solicitors:	Addisons Lawyers www.addisonslawyers.com.au	
Listed:	Australian Securities Exchange ASX: AGD	Toronto Venture Exchange TSXV: AGLD
Place of Incorporation:	Western Australia	

The half-year financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, it is recommended that this report be read in conjunction with the annual report for the year ended 30 June 2016 and any public announcements made by Austral Gold Limited during the half-year in accordance with the continuous disclosure requirements of the Listing Rules of the Australian Securities Exchange (ASX).



DIRECTORS' REPORT

The Directors present their report together with the consolidated financial report for the half-year ended 31 December 2016 and the Independent Auditor's Review Report. All Directors were in office for the full reporting period, being 1 July 2016 to 31 December 2016 and up to the date of this report.



Review of Operations

The consolidated revenue and profit after income tax for the half-year ended 31 December 2016 was US\$51,698,671 (31 December 2015: US\$26,286,289) and US\$1,720,458 (31 December 2015: US\$1,273,890) respectively.

Further information on the Company's operations during the half-year ended 31 December 2016 is detailed further in this report in the Review of Activities.

Corporate

At the AGM held on 30 November 2016, all resolutions as set out in the Notice of Annual General Meeting were approved by shareholders.

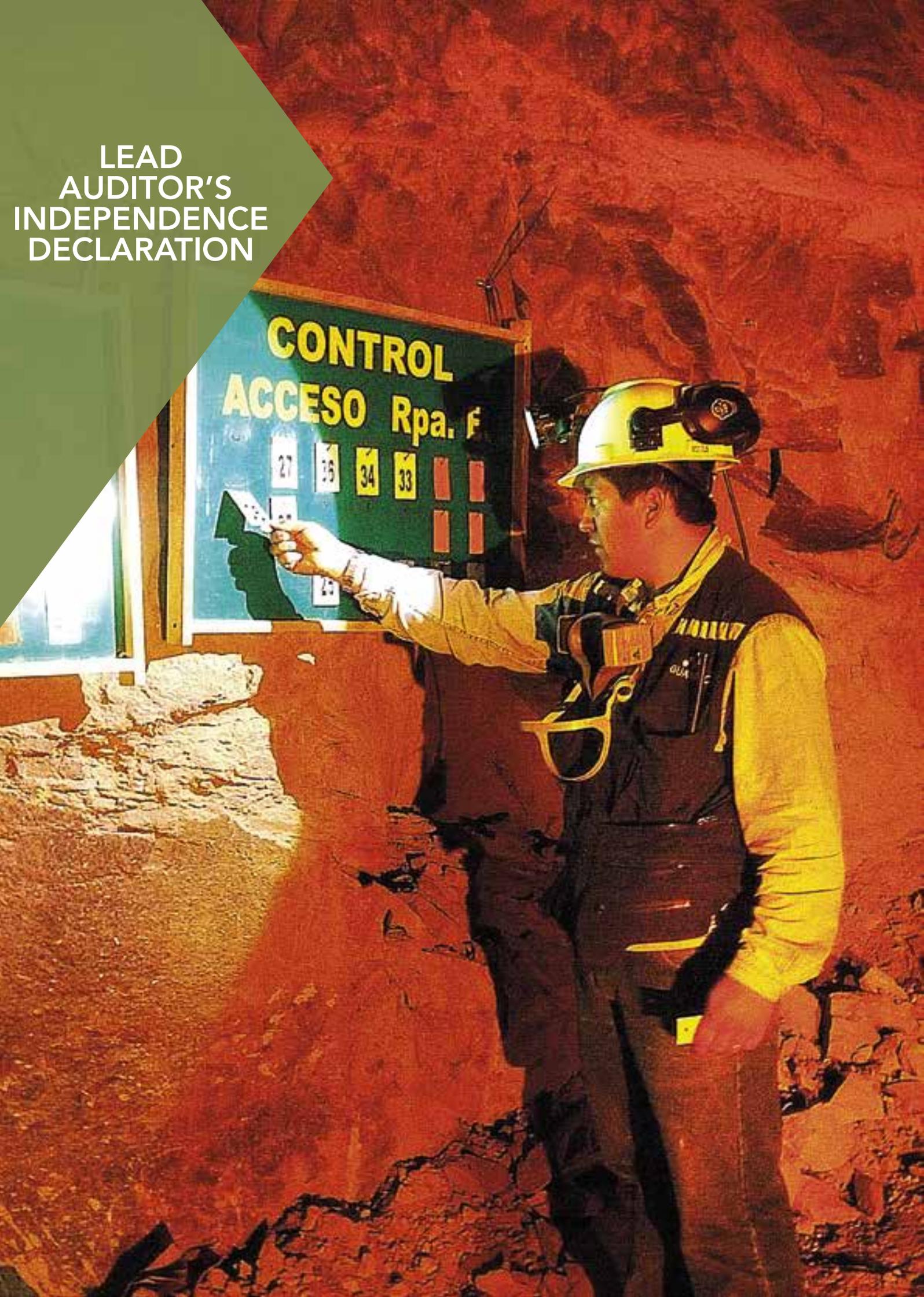
Auditor's Independence Declaration

The lead Auditor's Independence Declaration for the period ended 31 December 2016 has been received and is included on page 8 in this half-year financial report.

Signed in accordance with a resolution of the Directors in Sydney.

Robert Trzebski
Director
16 March 2017

LEAD
AUDITOR'S
INDEPENDENCE
DECLARATION





Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Austral Gold Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2016 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- ii. no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

Daniel Camilleri
Partner

Sydney
16 March 2017

REVIEW OF ACTIVITIES

Austral Gold Limited ('the Company') and its subsidiaries ('the Group') remain committed to maximising shareholder value as it continues to explore and invest in its flagship asset, the Guanaco gold and silver mine, and expand and invest in South America precious metals opportunities.



CHILE

Guanaco Gold and Silver Mine (100% interest)

Project and Mine Description

The 100% owned Guanaco mine has been producing gold since the first doré bar was poured in October 2010 and remains the Group's flagship asset. Guanaco is located approximately 220km SE of Antofagasta in Northern Chile at an elevation of 2,700m and 45km from the Pan American Highway. Guanaco is located in the Paleocene/Eocene belt, a structural trend which runs north/south through the centre of Chile, and hosts several large gold and copper mining operations.

Currently, the majority of the ore processed from the Guanaco operation comes from the Cachinalito underground system and nearby vein systems with higher average grades. Gold mineralisation at Guanaco is controlled by pervasively silicified, E/NE trending sub-vertical zones with related hydrothermal breccias. Silicification grades outward into advanced argillic alteration and further into zones with propylitic alteration. In the Cachinalito vein system most of the gold mineralisation is concentrated between depths of 75m and 200m and is contained in

elongated shoots. High grade ore shoots (up to 180 g/t Au), 0.5m to 3.0m wide, have been exploited, but the lower grade halos, below 3 g/t, can reach up to 20m in width. The alteration pattern and the mineralogical composition of the Guanaco mineralisation have led to the classification as a high-sulfidation epithermal deposit.

Production

Total production from the heap-leach process reached a total of 43,698 gold ounces (Au oz) and 57,328 silver ounces (Ag oz) in the 12-month period ended December 2016. The average cash operating cost (C1)¹ for the same period for the Guanaco mine was approximately US\$713/AuEq oz.

For the six-month period ended 31 December 2016, the Guanaco mine produced 26,575 Au oz and 30,470 Ag oz with an operating cash cost of approximately US\$591/AuEq oz.

Production for the period concentrated in the Dumbo and Cachinalito extensions.



¹ The operating cash cost for the Guanaco mine includes: Mine, Plant, On-Site G&A, Smelting, Refining and 3% ENAMI Royalty. This is a non-GAAP measure.

Gold Equivalent Production:

Production	2013 Actual Calendar Year	2014 Actual Calendar Year	2015 Actual Calendar Year	2016 Actual Calendar Year	2017 Budget Calendar Year
Gold (AuEq oz)	51,331	51,068	46,869	44,474	~45,000 - 51,000

Production for the calendar year is expected to be in line with historical production during the last 3 years; in the order of 45,000 - 51,000 AuEq oz.

Guanaco Operational Performance:

	6 months to December 2016	6 months to December 2015
Total Ore processed (t)	281,848	140,460
Average Plant grade (g/t Au)	4.62	5.47
Average Plant grade (g/t Ag)	8.8	8.2
Gold produced (oz)	26,575	11,762
Silver produced (oz)	30,470	16,109
C1 Cash Cost (US\$/AuEq oz)	591	673
All-in Sustaining Cost (US\$/AuEq oz)	746	848
Realised gold price (US\$/Au oz)	1,281	1,330

Mining

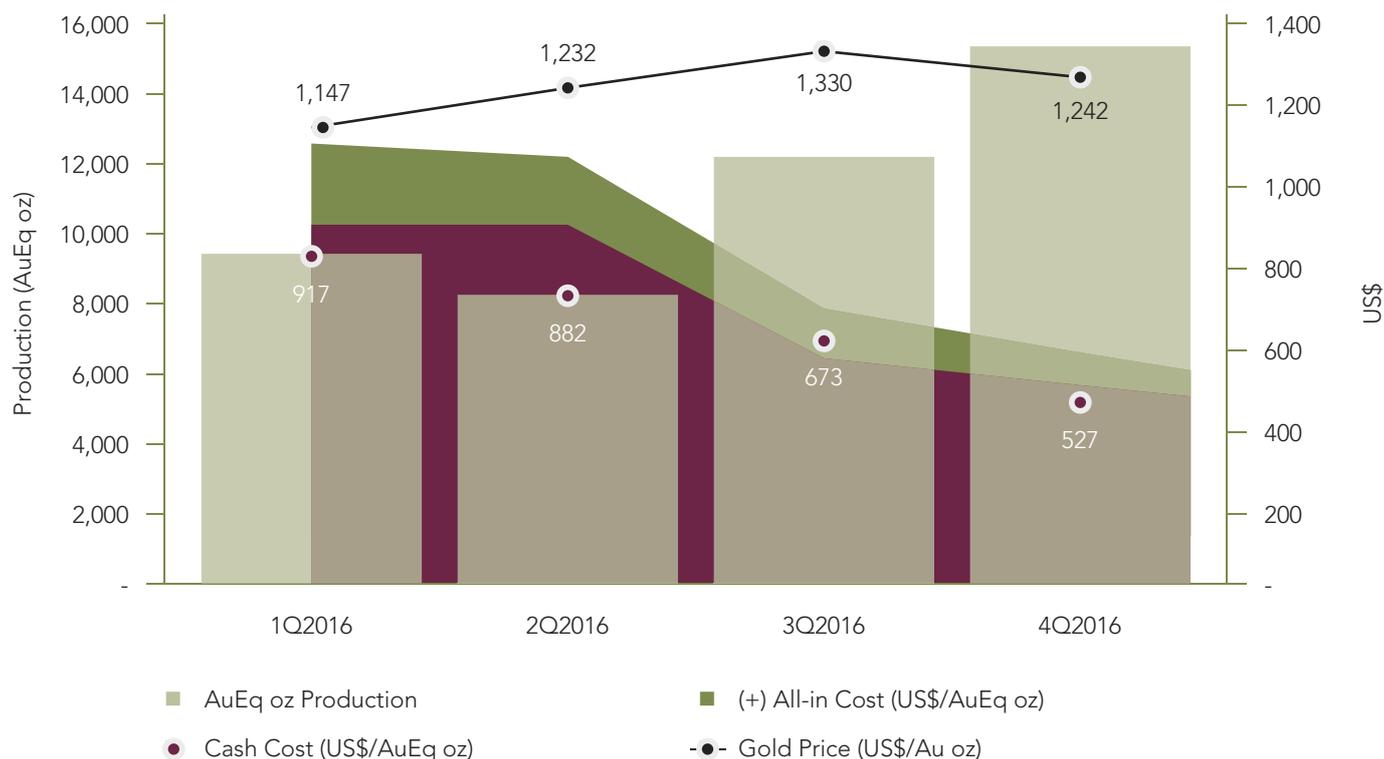
During the six-months to 31 December 2016, mining continued at the underground operations with a total of 305,439 tonnes mined. The crushed and leached material totalled 281,848 tonnes for the quarter at an average grade of 4.62 g/t Au and 8.8 g/t Ag.

During the period, a total of 5,016 metres of underground mine development was advanced, of which 1,416 metres related to developments and accesses and 3,600 metres to advances in production.

Safety

During this quarter, three lost-time accidents (LTA) and two nil-lost-time accidents (NLTA) were reported involving Guanaco employees and third party contractors. Safety and environmental protection are core values of the Company. The implementation of best practice safety standards along with a sound risk management program are key priorities for Austral Gold.

AuEq oz Production per Quarter (Calendar Year)



Mine Exploration Program

Detailed sampling for ICP multi-element assaying was performed on the main ledges of Dumbo and Cachinalito, which were sent to laboratory. The statistical study of the Cachinalito samples shows a positive correlation of Au only with Ba ($r=0.43$). Unlike Dumbo, there is a low correlation of Au with Ag ($r=0.12$) and As ($r=0.03$), and this can be explained by the tectonic remobilisation of primary elements.

Similar to the Dumbo orebody, and considering the elevation, the system has higher contents of Na and K near

surface, and higher contents of Cu and Sb at depth. This observation can be used to vectorise those barren veins that were already drilled and allows making an interpretation of these levels: ~ 10 is at the mineralised interval, and < 5.5 represents zones below the mineralisation.

3D modelling: The process of creating a 3D model for the Guanaco mine using the Leapfrog software is in process. A total of 389 digitalised drill holes were controlled in December, they will help to create a database to build solids in order to finish the model in 2017.

Amancaya Project (100% interest)

Since the acquisition of this low sulphidation epithermal gold-silver deposit consisting of eight mining exploration concessions covering 1,755 hectares in July 2014 (and a further 1,390 hectares of second layer mining claims), the focus has been on the environmental impact statement and early exploration and engineering works. Activities to advance the Amancaya project towards construction were made during the period. Onsite facilities and road works to the site are well advanced. All the basic permits to start operations are in place. The independent pre-feasibility study that was commissioned in September 2016 was started during the period and is expected to be completed by the end of April 2017.



Amancaya Project Exploration

During the period, and as announced in the Company's press releases issued in December 2016 and January 2017, the 13,312 metres infill drilling campaign was completed. A total of 93 holes were drilled, all of which were initially drilled with reverse circulation coring and converted to diamond drilling as they approached the vein target areas. This resulted in approximately 87% of the drilled metres being comprised of reverse circulation, and 13% represented as diamond drilling.

Assay results for these holes, all on the Central Vein, have been reported in recent Austral Gold news releases. The drill program was designed to test and confirm the presence and consistency of mineralisation within the inferred resource that was previously reported at Amancaya in the amended Technical Report (Amancaya Technical Report) "Guanaco Gold Project, Antofagasta Province, Region II, Chile, NI 43-101 Technical Report", dated 24 November 2015 and which was amended 30 June 2016. It was filed on 25 July 2016 on the Company's profile on www.sedar.com².

Most of the historical drilling used to define the inferred resource was reverse circulation drilling.

Highlights from assays are as follows:

- AM-082: **3.1 metres @ 58.93 g/t gold and 94.7 g/t silver from 72.4 metres,**
- AM-053: **3 metres @ 45.48 g/t gold and 966.70 g/t silver from 132 metres,**
- AM-055: **6.7 metres @ 14.6 g/t gold and 83.2 g/t silver from 20 metres, plus 4.4 metres @ 11.65 g/t gold and 62.8 g/t silver from 45.2 metres,**
- AM-067: **1.77 metres @ 49.41 g/t gold and 61.6 g/t silver from 170.2 metres**
- AM-052: **3 metres @ 24.69 g/t gold and 363.7 g/t silver from 102 metres**

New Agitation Leach Plant

Construction of the new agitation leach plant (Merrill-Crowe circuit) at Guanaco continues to advance and a completion date of end of March 2017 has been forecast. To date, the spend on the project is approximately 90% complete.

The Company intends to truck production initially from the open pits, then from underground operations at Amancaya to the new agitation leach plant at Guanaco. The new plant will process the higher grade material from the Guanaco mine, production from the Amancaya mine, and potentially reprocess the higher grade cells on the heap leach pads.

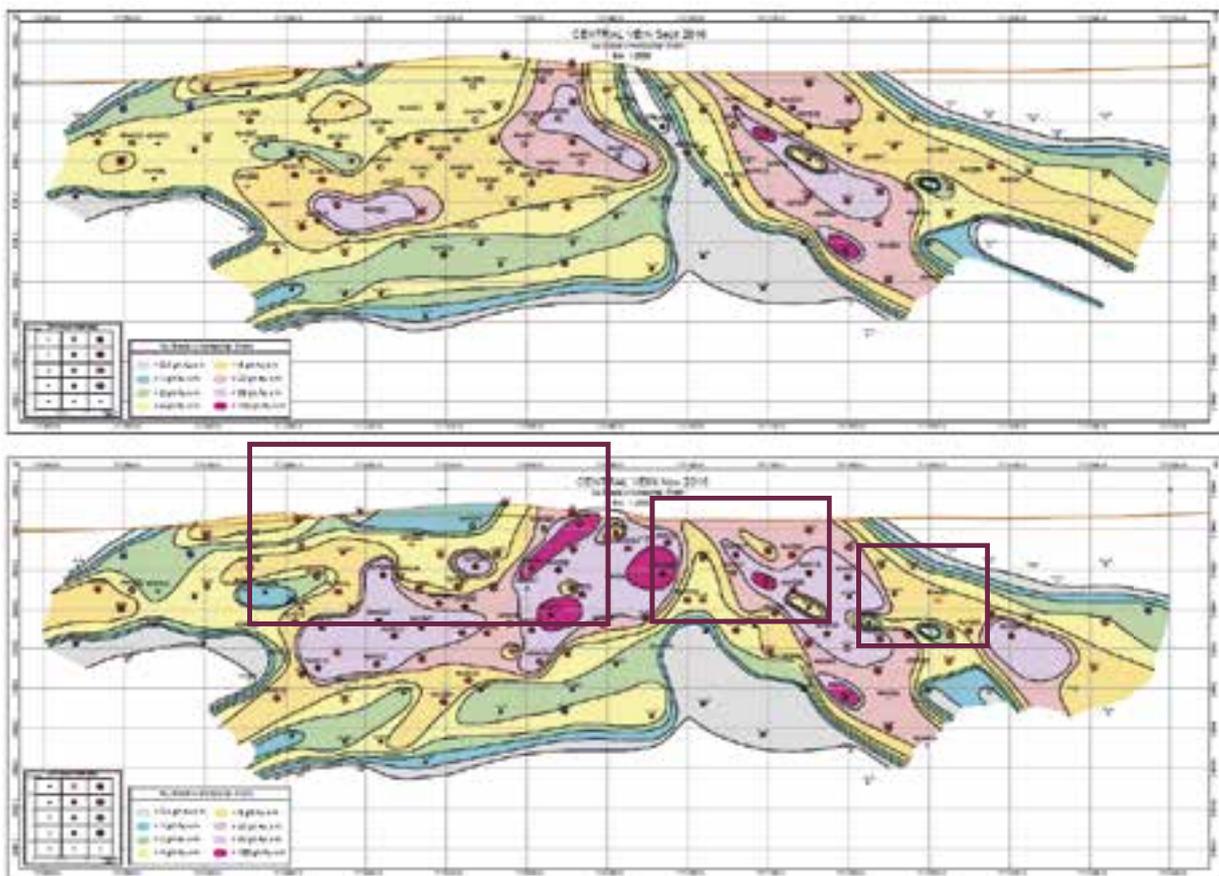


Figure 1: Central Vein Long Sections: previous (above) and updated (below)

² The Technical Report was not made JORC2012 compliant, and as such should be treated as a Foreign Estimate.



ARGENTINA

Casposo Mine, San Juan (70% interest)

The Casposo mine is located in the department of Calingasta, San Juan Province, Argentina, approximately 150km from the city of San Juan, and covers an area of 100.21km². Casposo is a low sulphidation epithermal deposit of gold and silver.

The Cordillera Principal runs along the Chile-Argentine border for approximately 1,500km. It is a volcanically and seismically active zone formed by subduction of the Nazca plate beneath the South American continent. The Casposo gold-silver mineralisation occurs in both the rhyolite and underlying andesite, where it is associated with banded quartz-chalcedony veins, typical of low sulphidation epithermal environments. Post-mineralisation dykes of

rhyolitic (Kamila), aphanitic-felsic, and trachytic (Mercado) composition often cut the vein systems. These dykes, sometimes reaching up to 30m thickness, are usually steeply dipping and north-south oriented. Mineralisation at Casposo occurs along a 10km long west-northwest to east-southeast trending regional structural corridor, with the main Kamila Vein system forming a 500m long sigmoidal set near the centre. The Mercado Vein system is the northwest continuation of Kamila and is separated by an east-west fault from the Kamila deposit. The Julieta Zone is located 5km along strike to the northwest of the Kamila and Mercado deposits and is situated within the same regional structural corridor. The Casposo Norte deposit is located on a parallel structure, approximately 2km north of Kamila.



As announced on 7 March 2016, Austral acquired 51% of this project from Troy Resources Limited (ASX: TRY) and entered into a Management Agreement whereby Austral was appointed manager of Casposo with immediate effect. On 4 March 2017, the conditions precedent were met and accordingly, a further 19% interest has been acquired for US\$1 million in addition to the payment of a further US\$1 million related to the collection of VAT credits outstanding (in addition to the US\$1 million payment made in September 2016). The Company has options to acquire the remaining 30% of the project on agreed terms within 5 years.

Production and Safety

The table below summarises the first two quarter results since the recommissioning of the mine.

Casposo Mine (when 51% owned by Austral Gold)	Dec Quarter 2016	Sept Quarter 2016
Total Ore processed (t)	66,328	68,055
Gold recovery (%)	91%	90%
Silver recovery (%)	84%	78%
Average Plant Grade (g/t Au)	2.30	2.98
Average Plant Grade (g/t Ag)	241.4	180.9
Gold produced (oz)	4,489	4,457
Share of Gold produced (oz) (51%)	2,289	2,426
Silver produced (oz)	434,607	313,765
Share of Silver produced (oz) (51%)	221,650	160,020

From a safety perspective, there were three lost-time accidents (LTA) and seven nil-lost-time accidents (NLTA) involving employees of Casposo and third party contractors since the mine was recommissioned.

Following the results of the updated Mineral Resource and Ore Reserve estimate for Casposo reviewed by independent consultants Roscoe Postle Associates (RPA), the Company expects production for calendar year 2017 to reach approximately 50,000 AuEq oz and is also working towards reducing costs of Casposo.

The Technical Report on the Casposo Gold-Silver Mine (the 'Technical Report') dated September 7, 2016 was filed on ASX (www.asx.com.au (ASX: AGD)) and SEDAR under the profile of Austral Gold and is also available on the company website. The Technical Report confirms that the optimisation of the plant and move to small scale mining will support a robust and economically viable underground gold and silver mine.

Exploration Activities

During the period exploration activities at Casposo consisted mainly of:

- detailed mapping at Julieta:** the area was mapped in detail (1:2,000 scale), with a focus on the volcanic sequence and the different mineralisations and structures. Seventeen (17) rock chip samples were taken.
- ground mag survey at Julieta:** the Company Geofísica Argentina completed the detail ground mag survey with a total of 66.4 linear kilometres.
- regional mapping of the Julieta vein pulses and events:** Mapping advanced at the NE sector of the Casposo mine and in Julieta areas (10% of the total area). The most relevant feature from this preliminary map is the finding of a possible sinter terrace (hot spring deposit) related to a NNE regional fault.



Figure 3: The Casposo mine in the province of San Juan, Argentina.

Argentex Exploration Properties, Santa Cruz (100% interest)

On 19 August 2016, the Company completed the acquisition of the Toronto Venture Exchange listed company, Argentex Mining Corporation ("Argentex"). Currently, Argentex owns 100% mineral rights of more than 20 properties with over 67,000 hectares of land. These properties are located within two prominent geographical features, the Deseado and Somuncura Massifs, both of which have proven to host significant epithermal precious metal deposits. The large epithermal vein swarm at Pingüino contains Argentex's discovery of indium-enriched vein-hosted base metal mineralisations which represented a new deposit type for the region, as well as low sulphidation precious metal vein mineralisation. The combination of these two types of mineralisation within the same property is unique for the province of Santa Cruz and a significant asset for the Company.

The Pingüino camp is not yet active but work is being done on the site to prepare it for future activity and the Company is engaging with mining authorities in the region.

8 de Julio Project Santa Cruz (100% interest)

The Group holds several exploration licences (cateos) and "manifestations of discovery" over more than 77,000 hectares in the Deseado Massif corridor in the Province of Santa Cruz (the "8 de Julio Project"). Three of these properties are classified as "cateos" (20,499 hectares) while the remaining properties are already classified as "manifestations of discovery" (56,888 hectares). During the period, the company continued filing base geological reports in compliance with local regulations.

Competent Person's Statement

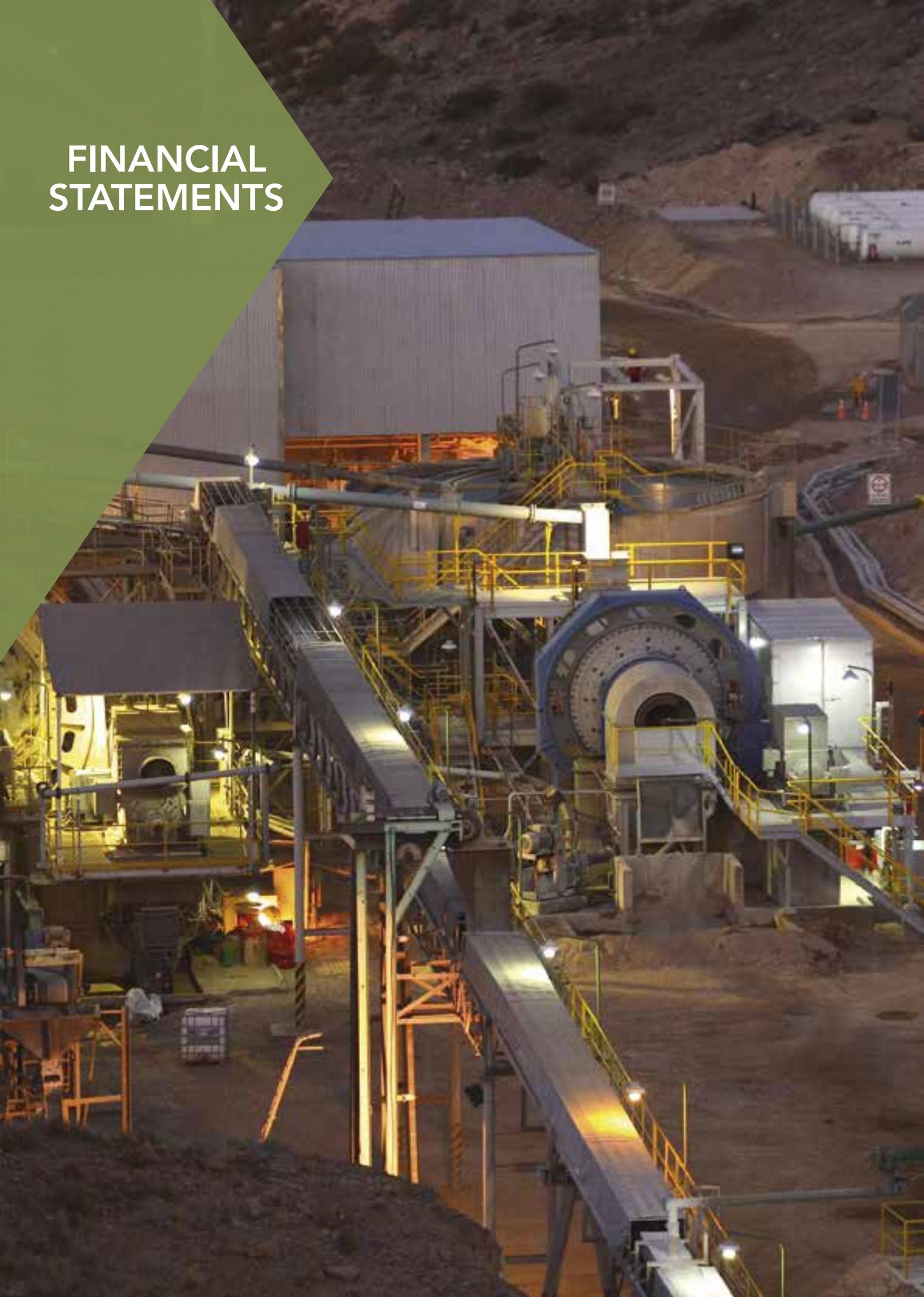
Information in this report is extracted from the following reports, which are available for viewing on the Company's website: www.australgold.com.

27 September 2016 "Restart of Casposo Gold-Silver Mine Operations"
 6 October 2016 "Preliminary Amancaya Exploration Results"
 15 December 2016 "Initial Results from Infill Drill Program at Amancaya Project"
 25 January 2017 "Austral Gold Receives Final Infill Drilling Assays at Amancaya Project"

The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements listed above and, in the case of estimates of Mineral Resources or Ore Reserves that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

The numbers presented in this report are unaudited figures and may be subject to minor variation.

FINANCIAL STATEMENTS



Statement of Profit or Loss and Other Comprehensive Income

Austral Gold Limited and its Subsidiaries

For the half year ended 31 December 2016

All figures are reported in US\$

	Half-Year Consolidated		
	Notes	31 Dec 2016 US\$	31 Dec 2015 US\$
CONTINUING OPERATIONS			
Revenue	3	51,698,671	26,286,289
Cost of sales		(26,423,403)	(15,594,779)
Gross profit		25,275,268	10,691,510
Administration expenses		(7,104,228)	(1,793,119)
Gain from foreign exchange		1,324,227	265,259
Loss on movements in financial assets		(1,959,668)	-
Profit before interest, tax, depreciation & amortisation		17,535,599	9,163,650
Finance costs		(481,700)	(320,851)
Depreciation and amortisation expense		(13,400,179)	(7,074,710)
Profit before income tax expense		3,653,720	1,768,089
Income tax expense	6	(1,933,262)	(494,199)
Profit after income tax expense		1,720,458	1,273,890
Profit attributable to:			
Owners of the Company		1,607,285	1,215,234
Non-controlling interests		113,173	58,656
		1,720,458	1,273,890
OTHER COMPREHENSIVE INCOME			
Items that may not be classified subsequently to profit or loss			
Profit/(Loss) arising on revaluation of financial assets, net of tax		824,573	(607,505)
Items that may be classified subsequently to profit or loss			
Foreign currency translation		(8,916)	(9,343)
Total comprehensive income for the year		2,536,115	657,042
Comprehensive income attributable to:			
Owners of the Company		2,422,942	598,386
Non-controlling interests		113,173	58,656
		2,536,115	657,042
EARNINGS PER SHARE (cents per share):			
Basic earnings per share	4	0.3c	0.3c
Diluted earnings per share	4	0.3c	0.3c

The above Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

Statement of Financial Position

Austral Gold Limited and its Subsidiaries

As at 31 December 2016

All figures are reported in US\$

		Consolidated	
	Notes	31 Dec 2016 US\$	30 Jun 2016 US\$
ASSETS			
Current assets			
Cash and cash equivalents		12,267,665	11,877,733
Trade and other receivables	8	19,093,093	13,928,450
Financial assets	9	3,708,768	8,141,715
Inventories	7	20,425,269	14,202,344
Total current assets		55,494,795	48,150,242
Non-current assets			
Other receivables	8	402,446	341,473
Mine properties *	10	19,488,046	18,091,138
Plant and equipment	11	74,587,981	51,452,176
Exploration and evaluation expenditure	12	20,221,550	15,608,809
Goodwill *		925,893	925,893
Deferred tax assets		4,379,933	2,016,655
Total non-current assets		120,005,849	88,436,144
TOTAL ASSETS		175,500,644	136,586,386
LIABILITIES			
Current liabilities			
Trade and other payables	13	26,207,858	12,914,347
Employee entitlements		1,553,797	1,336,022
Borrowings	15	6,828,492	1,879,441
Total current liabilities		34,590,147	16,129,810
Non-current liabilities			
Trade and other payables		-	39,020
Provisions	14	10,105,806	5,696,921
Borrowings	15	10,964,955	2,070,858
Deferred tax liabilities		7,178,941	4,675,897
Total non-current liabilities		28,249,702	12,482,696
TOTAL LIABILITIES		62,839,849	28,612,506
NET ASSETS		112,660,795	107,973,880
EQUITY			
Issued capital	18	99,049,570	93,537,023
Accumulated losses**		(3,259,612)	235,400
Reserves**		(4,892,138)	(7,448,436)
Non-controlling interest		21,762,975	21,649,893
TOTAL EQUITY		112,660,795	107,973,880

* Intangible Assets & Goodwill at 30 June 2016 is now split on the face of the Statement of Financial Position into 'Mine Properties' & 'Goodwill'

** Accumulated losses and reserves at 30 June 2016 have been restated. Refer to Note 19.

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

Austral Gold Limited and its Subsidiaries

For the half year ended 31 December 2016

All figures are reported in US\$

	Half-Year Consolidated				
	Issued capital	Accumulated losses	Reserves	Non-controlling interest	Total
	US\$	US\$	US\$	US\$	US\$
Balance at 1 July 2015	93,537,023	(29,378,937)	(7,179,114)	1,556,571	58,535,543
Profit for the period	-	1,215,234	-	58,656	1,273,890
<i>Other comprehensive income for the year, net of income tax:</i>					
Revaluation of financial assets	-	-	(607,505)	-	(607,505)
Foreign exchange movements from translation of financial statements to US dollars	-	-	(9,343)	-	(9,343)
Total comprehensive income/(loss) for the year	-	1,215,234	(616,848)	58,656	657,042
Balance at 31 December 2015	93,537,023	(28,163,703)	(7,795,962)	1,615,227	59,192,585
Balance at 1 July 2016	93,537,023	235,400	(7,448,436)	21,649,893	107,973,880
Profit for the period	-	1,607,285	-	113,173	1,720,458
<i>Other comprehensive income for the year, net of income tax:</i>					
Profits transferred to profit reserve	-	(3,361,656)	3,361,656	-	-
Revaluation of financial assets	-	-	824,573	-	824,573
Revaluation of financial assets transferred to accumulated losses	-	(1,740,641)	1,740,641	-	-
Foreign exchange movements from translation of financial statements to US dollars	-	-	(8,916)	-	(8,916)
Total comprehensive income/(loss) for the year	-	(3,495,012)	5,917,954	113,173	2,536,115
<i>Transactions with owners in their capacity as owners:</i>					
Shares issued	5,512,547	-	-	-	5,512,547
Dividend declared	-	-	(3,361,656)	(91)	(3,361,747)
Balance at 31 December 2016	99,049,570	(3,259,612)	(4,892,138)	21,762,975	112,660,795

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes

Statement of Cash Flows

Austral Gold Limited and its Subsidiaries

For the half year ended 31 December 2016

All figures are reported in US\$

	Notes	Half-Year Consolidated	
		31 Dec 2016 US\$	31 Dec 2015 US\$
Cash flows from operating activities			
Receipts from sale of goods		50,771,419	28,793,803
Payments to suppliers and employees		(28,810,520)	(16,038,079)
Taxes paid		(1,995,614)	(1,527,437)
Net cash provided through operating activities		19,965,285	11,228,287
Cash flows from investing activities			
Purchase of plant and equipment		(15,100,526)	(4,351,112)
Proceeds from sale of investment in listed shares		5,348,500	-
Payments to exercise options (warrants)		(4,314,764)	-
Deferred consideration for investment in subsidiaries (Cachinalito)		(246,266)	(485,902)
Final payment for Amancaya exploration and evaluation		(2,000,000)	(2,882,688)
First tranche prepayment (Casposo)	19	(1,000,000)	-
Cash acquired Argentex acquisition	21	25,777	-
Payment for investment in exploration and evaluation		(51,077)	(943,690)
Payment for investment in mine properties	10	(1,367,139)	(239,234)
Interest received		14,148	1,577
Net cash used in investing activities		(18,691,347)	(8,901,049)
Cash flows from financing activities			
Interest paid		(463,172)	(320,851)
Proceeds from bank loan	15	1,508,548	-
Finance lease payments	15	(2,070,369)	137,802
Repayment of loan issued to related party		-	343,512
Net cash (used in)/provided by financing activities		(1,024,993)	160,463
Movement attributable to cash held in foreign currencies		140,987	255,916
Net increase in cash held		389,932	2,743,617
Cash at beginning of financial period		11,877,733	7,303,315
Cash at end of financial period		12,267,665	10,046,932

The above Statement of Cash Flows should be read in conjunction with the accompanying notes

Notes to the Half-Year Financial Statements

1. CORPORATE INFORMATION

Austral Gold Limited ('the Company') is a company limited by shares that is incorporated and domiciled in Australia, whose shares are publicly traded on the Australian Securities Exchange and the Toronto Venture Exchange. This consolidated half-year financial report comprises the Company and its controlled entities ('the Group') for the half-year ended 31 December 2016. The nature of the operations and principal activities of the Group are described in the Directors' report.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(i) Basis of preparation of half-year financial report

The Half-year Financial Report has been prepared in accordance with the requirements of the Australian Accounting Standards Board (AASB) 134 Interim Financial Reporting and the Corporations Act 2001, as appropriate for for-profit orientated entities.

The Half-year Financial Report should be read in conjunction with the Annual Financial Report of Austral Gold Limited as at 30 June 2016, which complies with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

It is also recommended that the Half-year Financial Report be considered together with any public announcements made by Austral Gold Limited during the half-year ended 31 December 2016 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001 and the ASX Listing Rules.

(ii) Basis of accounting

The Half-year Financial Report has been prepared on a historical cost convention except for certain financial assets and liabilities which are stated at fair value.

For the purpose of preparing the Half-year Financial Report, the half-year has been treated as a discrete reporting period.

(iii) Basis of consolidation

A subsidiary is any entity over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

A list of subsidiaries is contained in Note 20 to the financial statements. The financial statements of the subsidiaries are prepared for the same reporting periods as the parent company using consistent accounting policies.

All intercompany balances and transactions between entities in the Group, including any unrealised profits or losses, have been eliminated on consolidation.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting.

Non-controlling interests in the equity and results of the subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the Group.

(iv) Significant accounting policies

The Half-year Financial Report has been prepared using the same accounting policies as used in the Annual Financial Report of Austral Gold Limited for the year ended 30 June 2016.

Notes to the Half-Year Financial Statements

3. REVENUE

	Half-Year Consolidated	
	31 Dec 2016 US\$	31 Dec 2015 US\$
Operating activities		
Revenue from gold and silver sales	51,598,068	26,062,463
Interest revenue	83,644	207,580
Other revenue	16,959	16,246
Total revenue	51,698,671	26,286,289

4. EARNINGS PER SHARE

	Half-Year Consolidated	
	31 Dec 2016 US\$	31 Dec 2015 US\$
Net profit attributable to owners	1,607,285	1,215,234
Weighted average number of shares used as the denominator		
Number for basic earnings per share	507,554,208	478,761,995
Number for diluted earnings per share	507,554,208	478,761,995
Basic earnings per ordinary share (cents)	0.3c	0.3c
Diluted earnings per ordinary share (cents)	0.3c	0.3c

Notes to the Half-Year Financial Statements

5. SEGMENTS

Management have determined the operating segments based on reports reviewed by the Chief Operating Decision Maker ("CODM"). The CODM considers the business from both an operations and geographic perspective and has identified two reportable segments, Australia and South America. The CODM monitors the performance in these two regions separately.

	Half-Year Consolidated						
	31 Dec 2016				31 Dec 2015		
	Australia US\$	South America US\$	Other * US\$	Consolidated US\$	Australia US\$	South America US\$	Consolidated US\$
Revenue from gold and silver sales	-	51,598,068	-	51,598,068	-	26,062,463	26,062,463
Interest revenue	708	82,936	-	83,644	307	207,273	207,580
Other revenue	-	16,959	-	16,959	-	16,246	16,246
Total segment revenue	708	51,697,963	-	51,698,671	307	26,285,982	26,286,289
Cost of sales	-	(26,423,403)	-	(26,423,403)	-	(15,594,779)	(15,594,779)
Depreciation and amortisation expense	-	(13,383,942)	(16,237)	(13,400,179)	-	(7,074,710)	(7,074,710)
Finance costs	-	(463,172)	(18,528)	(481,700)	-	(320,851)	(320,851)
Gain foreign exchange	-	1,313,046	11,181	1,324,227	-	265,259	265,259
Administration expenses	(480,335)	(6,377,419)	(246,474)	(7,104,228)	(391,214)	(1,401,905)	(1,793,119)
Gain/(Loss) in fair value of financial assets	(361,466)	(1,598,202)	-	(1,959,668)	-	-	-
Income tax expense	-	(1,933,262)	-	(1,933,262)	-	(494,199)	(494,199)
Segment (Loss)/Profit	(841,093)	2,831,609	(270,058)	1,720,458	(390,907)	1,664,797	1,273,890
Segment assets	2,540,969	172,654,371	305,304	175,500,644	537,737	75,906,218	76,443,955
Segment liabilities	3,477,097	59,280,650	82,102	62,839,849	34,617	17,216,753	17,251,370

* The other segment relates to the corporate office in Canada acquired during the period.

Notes to the Half-Year Financial Statements

6. INCOME TAX EXPENSE

	Half-Year Consolidated	
	31 Dec 2016 US\$	31 Dec 2015 US\$
Reconciliation of effective tax rate		
Profit before tax	3,653,720	1,768,089
Prima facie income tax expense calculated at 30% on the profit	1,096,116	530,427
Difference due to blended overseas tax rate*	(520,639)	(200,569)
Deferred tax not brought to account	570,200	147,512
Non-deductible expenses	647,819	(641,557)
Difference due to change in tax rate**	-	(118,651)
Temporary differences deferred tax not brought to account	139,766	777,037
Income tax expense	1,933,262	494,199

* Chile tax rate: 24% (2015: 22.5%); Argentina tax rate: 35% (2015: 35%)

** Tax rate in Chile will increase progressively over the next three years.

7. INVENTORIES

	Consolidated	
	31 Dec 2016 US\$	30 Jun 2016 US\$
Materials and supplies – at cost	9,523,106	8,688,784
Ore stockpiles - at cost	1,627,305	2,443,054
Gold bullion and gold in process – at lower of cost and net realisable value	9,274,858	3,070,506
Total inventories	20,425,269	14,202,344

8. TRADE AND OTHER RECEIVABLES

	Consolidated	
	31 Dec 2016 US\$	30 Jun 2016 US\$
CURRENT		
Trade receivables	3,903,932	3,076,509
Other current receivables	4,865,141	2,695,213
Loans receivable from related parties	2,711,532	2,659,104
GST/VAT receivable	7,612,488	5,497,624
Total current receivables	19,093,093	13,928,450
NON CURRENT		
GST/VAT receivable	179,644	133,006
Other	222,802	208,467
Total non-current receivables	402,446	341,473

Notes to the Half-Year Financial Statements

9. FINANCIAL ASSETS

	Consolidated	
	31 Dec 2016 US\$	30 Jun 2016 US\$
CURRENT		
Options (warrants) - level 2	1,318,672	4,892,837
Listed equity securities - level 1	2,390,096	3,248,878
Total current financial assets at fair value	3,708,768	8,141,715

The table above sets out the Group's assets and liabilities that are measured and recognised at fair value at 31 December 2016.

The options (warrants) are those attaching to the shares of Fortuna Silver (TSE: FVI) and the fair value is based on the Black Scholes method using the following assumptions:

- Spot Price: C\$7.60 per share
- Volatility: 59.374%
- Strike Price: C\$6.0105
- Maturity: October 2018

Listed equity securities as at 31 December 2016 are Fortuna Silver shares being held after the Group exercised warrants during the period. The listed equity securities on hand as at 30 June 2016 relating to Goldrock Mines were disposed of during the period while those related to Argentex were eliminated as part of the acquisition. See Note 21 for details.

Fair value hierarchy

AASB 13 Fair Value Measurement requires disclosure of fair value measurements by level in the fair value measurement hierarchy as follows:

- Level 1 – the instrument has quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – a valuation technique is used using other than quoted prices within Level 1 that are observable for the financial instrument, either directly (i.e. as prices), or indirectly (i.e. derived from prices)
- Level 3 – a valuation technique is used using inputs that are not observable based on observable market data (unobservable inputs)

The Group holds listed equity securities at fair value, which are measured at the closing bid price at the end of the reporting period. These financial assets held at fair value fall within Level 1 of the fair value hierarchy.

The Group also hold warrants valued using the Black Scholes method and fall within Level 2 of the fair value hierarchy. During the half year ended 31 December 2016, the Group had no Level 3 financial instruments.

Transfers

During the period, there were no transfers between the financial instrument levels of hierarchy.

Notes to the Half-Year Financial Statements

10. MINE PROPERTIES

	Consolidated		
	Guanaco US\$	Casposo US\$	Total US\$
Mine Properties - 31 December 2016			
Cost	51,511,678	12,132,545	63,644,223
Accumulated depreciation	(43,387,933)	(768,244)	(44,156,177)
Carrying value - Mine Properties	8,123,745	11,364,301	19,488,046
MOVEMENTS IN CARRYING VALUE			
Carrying amount at beginning of the period	5,972,174	12,118,964	18,091,138
Additions for the period	1,367,139	-	1,367,139
Increase in mine closure asset	4,232,955	-	4,232,955
Write-off	-	(19,990)	(19,990)
Depreciation for the period	(3,448,523)	(734,673)	(4,183,196)
Carrying amount at end of the period	8,123,745	11,364,301	19,488,046
Mine Properties - 30 June 2016			
Cost	45,911,584	12,152,535	58,064,119
Accumulated depreciation	(39,939,410)	(33,571)	(39,972,981)
Carrying value - Mine Properties	5,972,174	12,118,964	18,091,138
MOVEMENTS IN CARRYING VALUE			
Carrying amount at beginning of the year	10,888,236	-	10,888,236
Additions for the year	813,611	12,152,535	12,966,146
Depreciation for the year	(5,729,673)	(33,571)	(5,763,244)
Carrying amount at end of the year	5,972,174	12,118,964	18,091,138

The comparative figures have been reclassified as Mine Properties whereas they were disclosed as Intangible assets in the previous accounting period as at 30 June 2016.

Management have assessed whether there is any indication that the Mine Property assets may be impaired at 31 December 2016. It was determined that the carrying value of Casposo is highly sensitive to a change in estimated recoverable reserves and resources, silver price, discount rates and cost of operations. Unfavourable movements in any or all of these factors may trigger the need to impair the carrying value of Casposo in the future.

Notes to the Half-Year Financial Statements

11. PLANT AND EQUIPMENT

	Consolidated	
	31 Dec 2016 US\$	30 Jun 2016 US\$
Plant and equipment - at cost	117,040,013	84,687,224
Accumulated depreciation	(42,452,032)	(33,235,048)
Carrying amount at end of period/year	74,587,981	51,452,176
MOVEMENTS IN CARRYING VALUE		
Carrying amount at beginning of the period/year	51,452,176	28,944,901
Additions for the period/year	29,720,953	11,295,074
Additions from a business combination	-	20,258,618
Transfers from Exploration and Evaluation expenditure	2,631,836	-
Write-off	-	(194,092)
Depreciation for the period/year	(9,216,984)	(8,852,325)
Carrying amount at end of period/year	74,587,981	51,452,176

12. EXPLORATION AND EVALUATION EXPENDITURE

	Consolidated	
	31 Dec 2016 US\$	30 Jun 2016 US\$
Costs carried forward in respect of areas of interest:		
Carrying amount at the beginning of the period/year	15,608,809	13,279,319
Additions for the period/year	7,244,577	2,329,490
Transfers to Plant and Equipment	(2,631,836)	-
Carrying amount at end of period/year	20,221,550	15,608,809

The recovery of the carrying amount of the exploration and evaluation assets is dependent on the successful development and commercial exploration or sale of the areas of interest. This balance mainly relates to expenditure at the Amancaya and Pinguino projects.

Additions for the period relate mainly to the Argentex acquisition. Refer Note 21.

Notes to the Half-Year Financial Statements

13. TRADE AND OTHER PAYABLES

	Consolidated	
	31 Dec 2016 US\$	30 Jun 2016 US\$
CURRENT		
Trade payables	13,018,464	5,890,098
Accrued expenses	6,047,050	2,811,983
Dividend payable	3,361,747	-
Income tax payable	2,316,661	1,159,551
Other payables	1,463,936	3,052,715
Total current trade and other payables	26,207,858	12,914,347

14. PROVISIONS

	Consolidated	
	31 Dec 2016 US\$	30 Jun 2016 US\$
NON CURRENT		
Mine closure	10,105,806	5,696,921
MOVEMENT IN NON CURRENT PROVISIONS		
Opening balance	5,696,921	1,842,352
Increase in Mine Closure Provision	4,232,955	-
Unwind of discount - charged to profit and loss	175,930	3,854,569
Closing balance	10,105,806	5,696,921

The provision for mine closure increased by US\$4.4 million since 30 June 2016 mainly due to a US\$4.2 million increase to the historical mine provision calculation required by Chilean legislation.

Notes to the Half-Year Financial Statements

15. BORROWINGS

	Consolidated	
	31 Dec 2016 US\$	30 Jun 2016 US\$
CURRENT		
Lease liability	5,319,944	1,879,441
Bank loan	1,508,548	-
Total current borrowings	6,828,492	1,879,441
NON-CURRENT		
Lease liability	10,955,044	2,070,858
Bank loan	9,911	-
Total non-current borrowings	10,964,955	2,070,858

15.1 Lease Liabilities

The Group leases production equipment under a number of finance leases. At 31 December 2016, the net carrying amount of lease equipment included in plant and equipment was US\$20,002,087 (30 June 2016: US\$5,855,348).

15.2 Current Bank Loan

The current loan is a pre-export facility for Casposo mine operation with Banco San Juan (180 days) at an annual interest rate of 4%.

16. DIVIDENDS

On 31 December 2016 the directors declared an interim unfranked dividend of A\$0.009 (US\$0.006) per ordinary share, which has been recognised as a liability in Note 13. The dividend was paid on 1 February 2017. The total distribution amounted to A\$4,670,849 (US\$3,361,656) based on the number of ordinary shares on issue as at 18 January 2017.

17. COMMITMENTS

	Note	Consolidated	
		31 Dec 2016 US\$	30 Jun 2016 US\$
LEASE COMMITMENTS – FINANCE			
Within one year		5,805,075	1,843,415
One to five years		11,437,799	2,303,869
Total commitment		17,242,874	4,147,284
Less: Future finance charges		(967,886)	(196,985)
Net commitment recognised as liabilities		16,274,988	3,950,299
REPRESENTING:			
Lease liability – current	15	5,319,944	1,879,441
Lease liability – non-current	15	10,955,044	2,070,858

Notes to the Half-Year Financial Statements

18. ISSUED CAPITAL

	Consolidated	
	31 Dec 2016 US\$	30 Jun 2016 US\$
Fully paid ordinary shares (US\$)	99,049,570	93,537,023
Number of ordinary shares at balance date	518,983,178	478,761,995

During the period, Austral Gold issued 40,221,183 new ordinary shares valued at US\$5,512,547 as consideration for the remaining 80.1% of Argentex Mining Corporation not already owned by the Group. Further explanations are given in Note 21.

19 ACQUISITION OF A SUBSIDIARY

On 4 March 2016 the Group entered into an agreement with Troy Resources Limited ("Troy") to acquire a 51% interest in their Casposo silver-gold project ("Casposo") in Argentina as well as takeover the day-to-day operations of Casposo.

The initial accounting for this business combination transaction was provisional at 30 June 2016. As part of the finalisation of the fair value measurement process of the assets and liabilities acquired, the Group has remeasured the net assets acquired by an additional US\$2 million. A further remeasurement of the options asset to acquire an additional 19% interest resulted in a US\$5.5 million option value. As a result, the gain on bargain purchase has increased to US\$27,335,188 for the year ended 30 June 2016, (Original 30 June 2016 : \$20,809,923). This is offset by an option reserve of US\$5.5 million and an increase in net assets acquired by US\$2 million.

In September 2016, the Group made a first tranche prepayment of US\$1 million in relation to the acquisition of an additional 19% interest in Casposo. At 30 June 2016 and 31 December 2016 the remaining conditions precedent relating to an additional 19% interest in Casposo had not yet been reached. Refer to Note 23.

The option to acquire the additional 19% interest has a fair value of US\$5.5 million at 31 December 2016 and the remaining 30% interest in Casposo has no fair value as at 31 December 2016 (30 June 2016: US\$0).

20. SUBSIDIARIES

	Country of Incorporation	Consolidated	
		31 Dec 2016 % Owned	30 Jun 2016 % Owned
PARENT ENTITY			
Austral Gold Limited	Australia		
SUBSIDIARIES			
Guanaco Mining Company Limited	British Virgin Islands	100.000	100.000
Guanaco Compañía Minera SpA	Chile	99.998	99.998
Austral Gold Argentina S.A.	Argentina	99.960	99.960
Ingeniería y Minería Cachinalito Limitada	Chile	51.000	51.000
Argentex Mining Corporation*	Canada	100.000	n/a
SRCN Properties Ltd*	Canada	100.000	n/a
Casposo Project**	Argentina	51.000	51.000

* Entity became a subsidiary during the period

** Refer to note 23 for subsequent increase in ownership interest

Notes to the Half-Year Financial Statements

21. ACQUISITION ARGENTEX (ASSET ACQUISITION)

On 19 August 2016 the plan of arrangement ('the Arrangement') between Austral Gold and Argentex Mining Corporation ('Argentex') was finalised with the dual listing of Austral Gold on the Toronto Venture Exchange under code AGLD. Under the terms of the Arrangement, Argentex shareholders received approximately 0.564676 of an ordinary share of Austral for each Argentex common share held at that date. Austral Gold issued a total of 40,221,183 shares to Argentex shareholders and Argentex became a wholly-owned subsidiary of Austral.

At the time of acquisition, Argentex's main asset was the Pinguino project with indicated and inferred resources but no probable and proven resources. The Pinguino project was not in production and there was no mine plan to place it into production. For these reasons, among others, the acquisition was accounted for as an acquisition of assets and liabilities and not a business combination as defined under AASB3.

21.1 Consideration transferred

The fair value of the ordinary shares issued was based on the listed share price of the Company at the date of issue on 22 August 2016, A\$0.19 (US\$0.137) per share, which valued the share consideration transferred at US\$5.5 million. In addition, a previously owned 19.9% interest was treated as consideration at fair value of US\$1.37 million at the date of acquisition.

21.2 Assets acquired and liabilities assumed

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition.

	2016 US\$
Cash & cash equivalent	25,777
Other current receivables	27,712
Property, plant and equipment	228,641
Exploration areas (Pinguino Project)	7,193,500
Accounts payable	(97,534)
Related party liabilities	(481,851)
Other non-current liabilities	(13,186)
Total identifiable net assets acquired	6,883,059

The Group incurred acquisition related costs of US\$215,000 on legal fees and due diligence costs. These costs were capitalised against the value of the net assets acquired.

22. CONTINGENT ASSETS AND LIABILITIES

There are no contingent assets or liabilities as at 31 December 2016. (30 June 2016 : nil)

23. SUBSEQUENT EVENTS

On 6 March 2017, US\$1 million was paid to Troy as part of the sale and purchase agreement for Casposo silver-gold mine related to the collection of VAT credits outstanding at the time of Austral acquisition. On the same date, with the achievement of the conditions precedent, Austral paid an additional US\$1 million to increase its stake in Casposo by 19%, bringing total ownership to 70%.

Apart from the above events, no other matter or circumstance has arisen since 31 December 2016 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Notes to the Half-Year Financial Statements

24 RELATED PARTIES

24.1 Ultimate Parent Entity

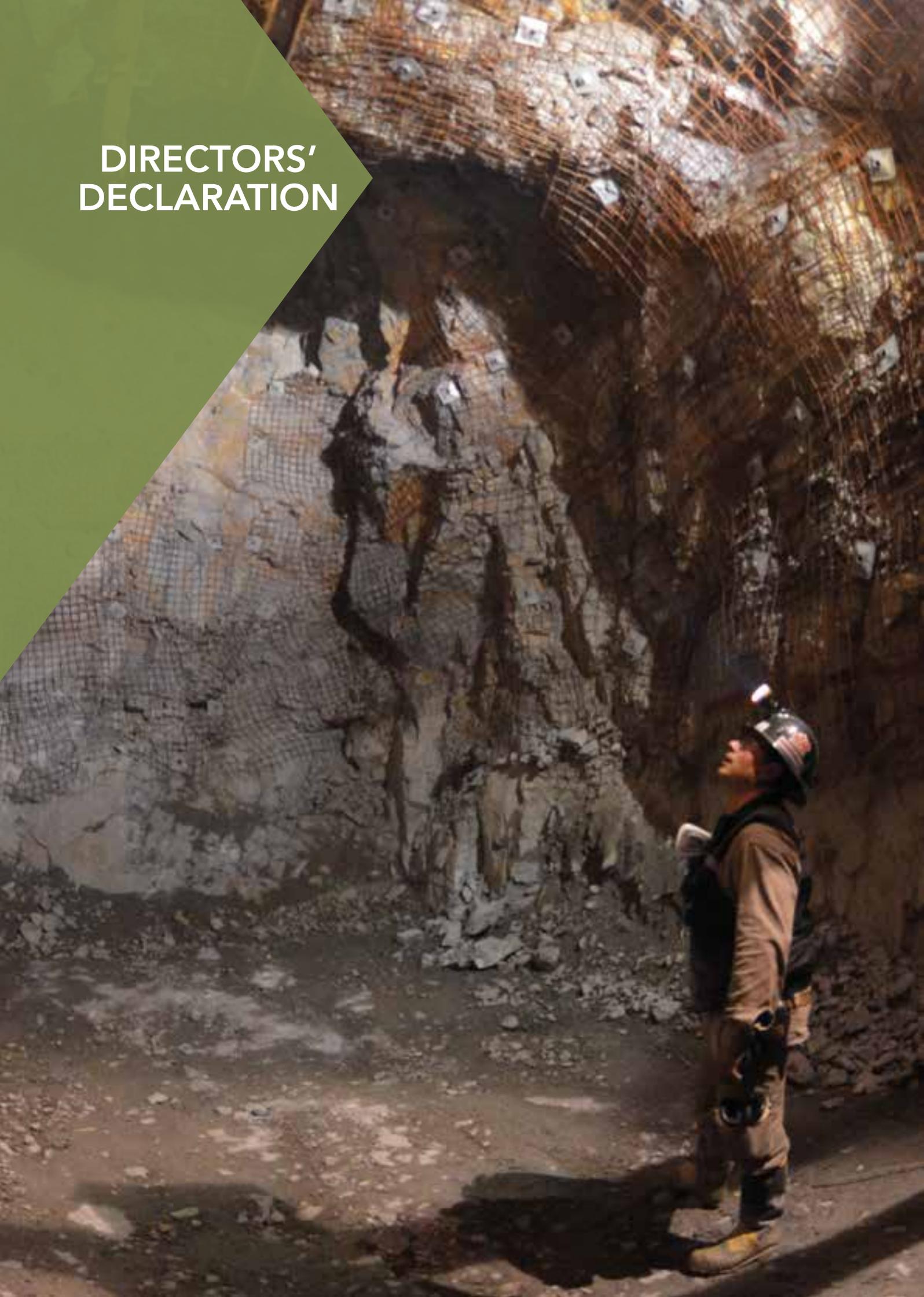
The Parent Entity is controlled by Inversiones Financieras Del Sur S.A. (IFISA) which is incorporated in Uruguay. The ultimate beneficial owner of IFISA is Eduardo Elsztain.

24.2 Significant Related Party Transaction During the Period

In May 2015, a loan for US\$3 million was made to IFISA, a related party, on better than arm's length terms. As of 31 December 2016, the loan repayment term was extended to 1 February 2017. The remaining balance outstanding at year end including interest is \$2,711,532. The entire balance was settled on 1 February 2017.

Zang, Bergel & Vines Abogados is a related party since two directors, Saul Zang and Pablo Vergara del Carril have significant influence over this law firm based in Buenos Aires, Argentina. Legal fees (including VAT) charged to the Company for the half-year ended 31 December 2016 amounted to US\$66,665 (Half-year ended 31 December 2015: US\$43,951). The transactions were made on normal commercial terms and conditions and at market rates.

**DIRECTORS'
DECLARATION**





In the Directors' opinion:

- The attached financial statements and notes thereto comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 Interim Financial Reporting, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- The attached financial statements and notes thereto give a true and fair view of the Group's financial position as at 31 December 2016 and of its performance for the financial half-year ended on that date; and
- There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a Resolution of Directors made pursuant to section 303(5) of the Corporations Act 2001.

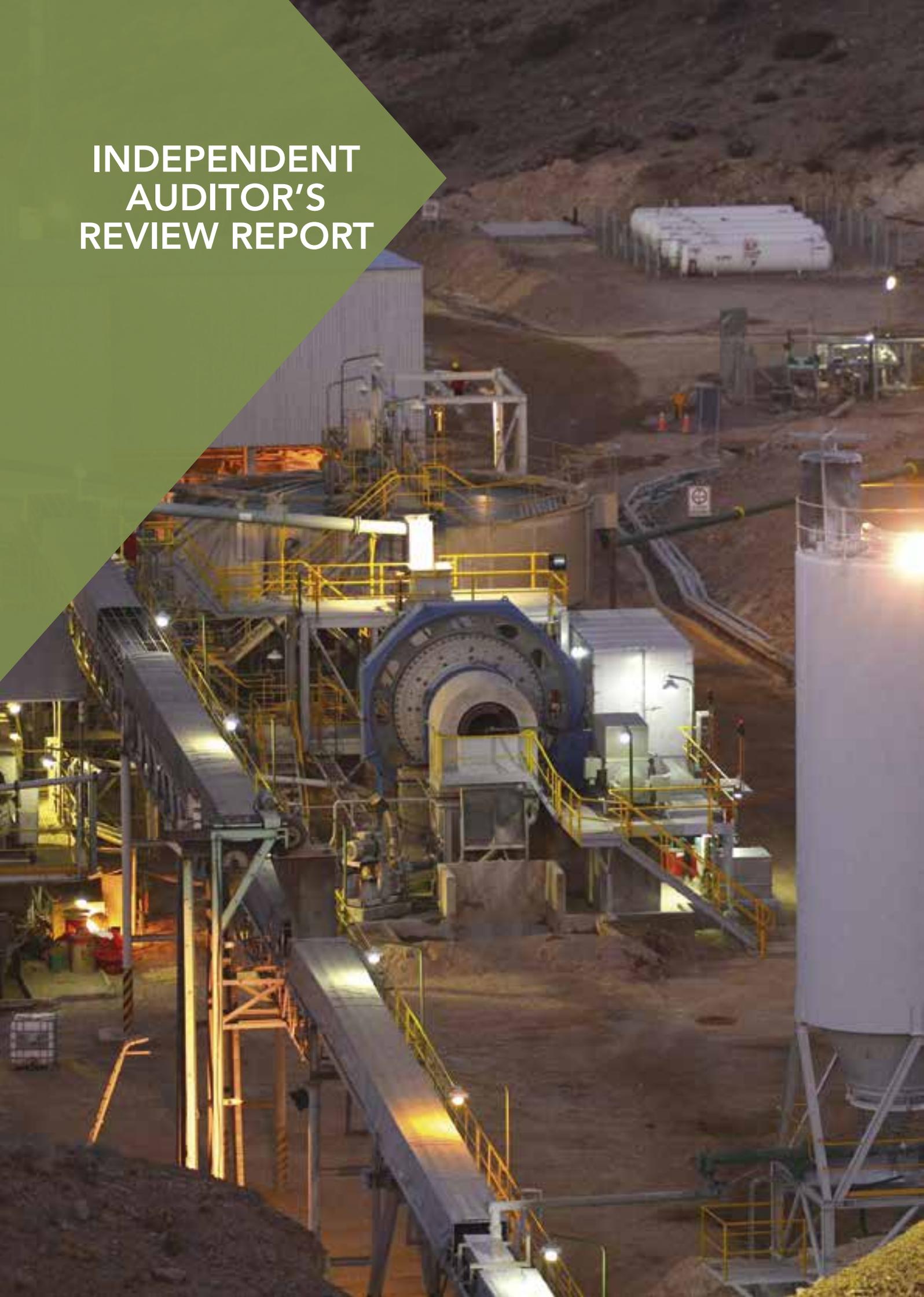
On behalf of the Directors

A handwritten signature in black ink, appearing to read "R. Trzebski".

Robert Trzebski
Director

Sydney, 16 March 2017

INDEPENDENT AUDITOR'S REVIEW REPORT





Independent Auditor's Review Report

To the shareholders of Austral Gold Limited

Report on the Half-year Financial Report

Conclusion

We have reviewed the accompanying Half-year Financial Report of Austral Gold Limited.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Half-year Financial Report of Austral Gold Limited is not in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the Group's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The Half-year Financial Report comprises:

- Consolidated statement of financial position as at 31 December 2016
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity and Consolidated statement of cash flows for the half-year ended on that date
- Notes 1 to 24 comprising a summary of significant accounting policies and other explanatory information
- The Directors' Declaration.

The Group comprises Austral Gold Limited (the Company) and the entities it controlled at the half year's period end or from time to time during the half-year period.



Responsibilities of the Directors for the Half-year Financial Report

The Directors of the Company are responsible for:

- the preparation of the Half-year Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*; and
- for such internal control as the Directors determine is necessary to enable the preparation of the Half-year Financial Report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the Half-year Financial Report

Our responsibility is to express a conclusion on the Half-year Financial Report based on our review. We conducted our review in accordance with *Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the Half-year Financial Report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Austral Gold Limited, *ASRE 2410* requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a Half-year Financial Report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with *Australian Auditing Standards* and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

KPMG

Daniel Camilleri
Partner

Sydney
16 March 2017

